

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

Auditing Procedures Report

Issued under P.A. 2 of 1988, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Three Oaks	County Berrien
Fiscal Year End March 31, 2008	Opinion Date May 9, 2008	Date Audit Report Submitted to State May 19, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>	N/A		
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040		
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI	Zip 48707
Authorizing CPA Signature 		Printed Name Mark J. Campbell		License Number 1101007803

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

May 9, 2008

To the Township Board
Township of Three Oaks
Berrien County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Three Oaks, Berrien County, Michigan as of and for the year ended March 31, 2008 which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Three Oaks's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Three Oaks, Berrien County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Township of Three Oaks covers the Township's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2008, totaled \$3,714,463.97 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$1,024,449.46 from governmental activities. Governmental activities had a \$355,282.94 increase in net assets.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, Library Fund, Roads and Bridges Fund, Building Fund, Water and Sewer Fund, and the Current Tax Collection Fund.

TOWNSHIP OF THREE OAKS
Berrien County, Michigan
CONDENSED FINANCIAL INFORMATION
For the Year Ended March 31, 2008

	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2007</u>	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2008</u>
Current Assets	2 751 809	3 169 212
Capital Assets	<u>611 300</u>	<u>549 473</u>
Total Assets	<u>3 363 109</u>	<u>3 718 685</u>
Current Liabilities	3 928	4 221
Non-current Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>3 928</u>	<u>4 221</u>
Net Assets:		
Invested in Capital Assets	611 300	549 473
Unrestricted	<u>2 747 881</u>	<u>3 164 991</u>
Total Net Assets	<u>3 359 181</u>	<u>3 714 464</u>
	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2007</u>	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2008</u>
Program Revenues:		
Fees and Charges for Services	732 567	629 305
General Revenues:		
Property taxes	154 091	161 910
State revenue sharing	83 334	79 752
Interest	100 895	124 337
Miscellaneous	<u>26 881</u>	<u>29 146</u>
Total Revenues	<u>1 097 768</u>	<u>1 024 450</u>
Program Expenses:		
Legislative	13 225	13 252
General Government	146 319	187 349
Public Safety	212 706	256 058
Public Works	23 854	40 416
Recreation and Culture	150 540	139 727
Other	<u>36 752</u>	<u>32 365</u>
Total Expenses	<u>583 396</u>	<u>669 167</u>
Increase in Net Assets	514 372	355 283
Net Assets, April 1	<u>2 844 809</u>	<u>3 359 181</u>
Net Assets, March 31	<u>3 359 181</u>	<u>3 714 464</u>

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund, Library Fund, Roads and Bridges Fund, Water and Sewer Fund, and the Building Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for the Township's governmental services with total expenditures of \$444,863.28.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$1,409.74 in capital assets.

The Township's governmental activities paid \$0 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income. We continue to grow in taxable values with little demand for infrastructure, except good roads and water, where available.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Township Treasurer at 269-756-9801.

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	3 072 720 39
Petty cash	125 00
Taxes receivable	16 212 71
Accounts receivable	80 153 42
Total Current Assets	<u>3 169 211 52</u>
NON-CURRENT ASSETS:	
Capital Assets	1 425 056 73
Less: Accumulated Depreciation	<u>(875 583 24)</u>
Total Non-current Assets	<u>549 473 49</u>
TOTAL ASSETS	<u><u>3 718 685 01</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>4 221 04</u>
Total Current Liabilities	<u>4 221 04</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>4 221 04</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	549 473 49
Unrestricted	<u>3 164 990 48</u>
Total Net Assets	<u>3 714 463 97</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>3 718 685 01</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	13 252 02	-	(13 252 02)
General government	187 348 96	30 560 51	(156 788 45)
Public safety	256 057 25	44 490 47	(211 566 78)
Public works	40 416 17	500 162 82	459 746 65
Culture and recreation	139 726 98	54 090 99	(85 635 99)
Other	32 365 14	-	(32 365 14)
Total Governmental Activities	<u>669 166 52</u>	<u>629 304 79</u>	<u>(39 861 73)</u>
General Revenues:			
Property taxes			161 910 08
State revenue sharing			79 752 09
Interest			124 336 96
Miscellaneous			<u>29 145 54</u>
Total General Revenues			<u>395 144 67</u>
Change in net assets			355 282 94
Net assets, beginning of year			<u>3 359 181 03</u>
Net Assets, End of Year			<u>3 714 463 97</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2008

	<u>General</u>	<u>Library</u>	<u>Other Funds</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	2 942 640 60	56 304 66	73 536 30	3 072 481 56
Petty cash	125 00	-	-	125 00
Taxes receivable	6 970 18	6 558 56	2 683 97	16 212 71
Accounts receivable	80 153 42	-	-	80 153 42
Due from other funds	238 83	-	-	238 83
Interfund balances	<u>67 004 35</u>	<u>(45 000 00)</u>	<u>(22 004 35)</u>	<u>-</u>
Total Assets	<u>3 097 132 38</u>	<u>17 863 22</u>	<u>54 215 92</u>	<u>3 169 211 52</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	4 221 04	-	-	4 221 04
Due to other funds	-	-	-	-
Total liabilities	<u>4 221 04</u>	<u>-</u>	<u>-</u>	<u>4 221 04</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>3 092 911 34</u>	<u>17 863 22</u>	<u>54 215 92</u>	<u>3 164 990 48</u>
Total fund equity	<u>3 092 911 34</u>	<u>17 863 22</u>	<u>54 215 92</u>	<u>3 164 990 48</u>
Total Liabilities and Fund Equity	<u>3 097 132 38</u>	<u>17 863 22</u>	<u>54 215 92</u>	<u>3 169 211 52</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	3 164 990 48
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	1 425 056 73
Accumulated depreciation	<u>(875 583 24)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>3 714 463 97</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2008

	<u>General</u>	<u>Library</u>	<u>Other Funds</u>	<u>Total</u>
Revenues:				
Property taxes	60 302 76	72 073 56	29 533 76	161 910 08
Licenses and permits	1 185 10	-	15 664 70	16 849 80
State revenue sharing	79 752 09	-	-	79 752 09
Penal fines	-	54 090 99	-	54 090 99
Charges for services:				
Landfill	482 113 02	-	-	482 113 02
Fire	40 000 00	-	-	40 000 00
Property tax administration	19 842 51	-	-	19 842 51
Other	15 208 47	-	1 200 00	16 408 47
Interest	123 600 81	367 49	368 66	124 336 96
Miscellaneous	7 113 23	22 032 31	-	29 145 54
Total revenues	<u>829 117 99</u>	<u>148 564 35</u>	<u>46 767 12</u>	<u>1 024 449 46</u>
Expenditures:				
Legislative:				
Township Board	13 252 02	-	-	13 252 02
General government:				
Supervisor	27 462 00	-	-	27 462 00
Elections	1 315 32	-	-	1 315 32
Assessor	789 30	-	-	789 30
Attorney	32 761 21	-	-	32 761 21
Clerk	17 117 35	-	-	17 117 35
Treasurer	18 389 99	-	-	18 389 99
Building and grounds	40 256 95	-	-	40 256 95
Cemetery	38 986 72	-	-	38 986 72
Unallocated	6 426 06	-	-	6 426 06
Public safety:				
Fire protection	69 320 17	-	-	69 320 17
Police protection	59 157 88	-	-	59 157 88
Planning and zoning	6 985 28	-	-	6 985 28
Protective inspection	-	-	14 943 80	14 943 80
Ambulance	66 000 00	-	-	66 000 00
Public works:				
Highways and streets	-	-	27 548 02	27 548 02
Sewer	12 605 65	-	-	12 605 65
Industrial park	262 50	-	-	262 50
Culture and recreation:				
Library	-	119 985 28	-	119 985 28
Other:				
Insurance	22 825 86	-	-	22 825 86
Payroll taxes	9 539 28	-	-	9 539 28
Capital outlay	1 409 74	-	-	1 409 74
Total expenditures	<u>444 863 28</u>	<u>119 985 28</u>	<u>42 491 82</u>	<u>607 340 38</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2008

	<u>General</u>	<u>Library</u>	<u>Other Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over expenditures	<u>384 254 71</u>	<u>28 579 07</u>	<u>4 275 30</u>	<u>417 109 08</u>
Other financing sources (uses):				
Operating transfers in	33 399 94	-	-	33 399 94
Operating transfers out	<u>-</u>	<u>(33 399 94)</u>	<u>-</u>	<u>(33 399 94)</u>
Total other financing sources (uses)	<u>33 399 94</u>	<u>(33 399 94)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	417 654 65	(4 820 87)	4 275 30	417 109 08
Fund balances, April 1	<u>2 675 256 69</u>	<u>22 684 09</u>	<u>49 940 62</u>	<u>2 747 881 40</u>
Fund Balances, March 31	<u>3 092 911 34</u>	<u>17 863 22</u>	<u>54 215 92</u>	<u>3 164 990 48</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 417 109 08

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(63 235 88)
Capital Outlay	<u>1 409 74</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 355 282 94

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Three Oaks, Berrien County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Three Oaks. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Funds

The Current Tax Collection and the Agency Funds are used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2007 tax roll millage rate was 2.0575 mills, and the taxable value was \$82,086,742.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$25.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	25 years
Furniture and equipment	3-10 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 2 – Budgets and Budgetary Accounting (continued)

7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated eight financial institutions for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>3 072 720 39</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	806 045 45
Uninsured and Uncollateralized	<u>2 469 828 64</u>
Total Deposits	<u>3 275 874 09</u>

The Township did not have any investments as of March 31, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 3 – Deposits and Investments (continued)

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds are the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
<u>Governmental Activities:</u>				
Land	232 650 00	-	-	232 650 00
Buildings	316 542 50	-	-	316 542 50
Equipment	874 854 49	1 409 74	(400 00)	875 864 23
Total	1 424 046 99	1 409 74	(400 00)	1 425 056 73
Accumulated Depreciation	(812 747 36)	(63 235 88)	400 00	(875 583 24)
Net Capital Assets	611 299 63	(61 826 14)	-	549 473 49

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

As of March 31, 2008, the Township had building permit revenues of \$15,664.70 and building permit expenses of \$14,943.80.

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	149 97	Building	149 97
General	45 000 00	Library	45 000 00
General	238 83	Current Tax Collection	238 83
General	21 854 38	Roads and Bridges	21 854 38
Total	<u>67 243 18</u>	Total	<u>67 243 18</u>

Note 10 – Operating Transfers

The amounts of interfund transfers are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
General	<u>33 399 94</u>	Library	<u>33 399 94</u>
Total	<u>33 399 94</u>	Total	<u>33 399 94</u>

Note 11 – Budget Variances

During the fiscal year ended March 31, 2008, Township expenditures exceeded the budgeted amounts in the activities as follows:

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Excess Expenditures</u>
General Fund Activity:			
Elections	1 000 00	1 315 32	315 32
Assessor	-	789 30	789 30
Attorney	20 000 00	32 761 21	12 761 21
Clerk	16 500 00	17 117 35	617 35
Building and grounds	8 700 00	40 256 95	31 556 95
Cemetery	37 300 00	38 986 72	1 686 72
Police protection	54 409 00	59 157 88	4 748 88
Planning and zoning	5 000 00	6 985 28	1 985 28
Sewer	7 000 00	12 605 65	5 605 65
Insurance	20 000 00	22 825 86	2 825 86

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	57 400 00	57 400 00	60 302 76	2 902 76
Licenses and permits	-	-	1 185 10	1 185 10
State revenue sharing	70 000 00	70 000 00	79 752 09	9 752 09
Charges for services:				
Landfill	338 000 00	338 000 00	482 113 02	144 113 02
Fire	40 000 00	40 000 00	40 000 00	-
Property tax administration	19 000 00	19 000 00	19 842 51	842 51
Other	-	-	15 208 47	15 208 47
Interest	105 000 00	105 000 00	123 600 81	18 600 81
Miscellaneous	53 600 00	53 600 00	7 113 23	(46 486 77)
Total revenues	683 000 00	683 000 00	829 117 99	146 117 99
Expenditures:				
Legislative:				
Township Board	31 800 00	31 800 00	13 252 02	(18 547 98)
General government:				
Supervisor	30 000 00	30 000 00	27 462 00	(2 538 00)
Elections	1 000 00	1 000 00	1 315 32	315 32
Accounting	4 500 00	4 500 00	-	(4 500 00)
Assessor	-	-	789 30	789 30
Attorney	20 000 00	20 000 00	32 761 21	12 761 21
Clerk	16 500 00	16 500 00	17 117 35	617 35
Board of Review	1 650 00	1 650 00	-	(1 650 00)
Treasurer	23 100 00	23 100 00	18 389 99	(4 710 01)
Building and grounds	8 700 00	8 700 00	40 256 95	31 556 95
Cemetery	37 300 00	37 300 00	38 986 72	1 686 72
Unallocated	7 500 00	7 500 00	6 426 06	(1 073 94)
Public safety:				
Fire protection	78 000 00	78 000 00	69 320 17	(8 679 83)
Police protection	54 409 00	54 409 00	59 157 88	4 748 88
Planning and zoning	5 000 00	5 000 00	6 985 28	1 985 28
Ambulance	66 000 00	66 000 00	66 000 00	-
Public works:				
Sewer	7 000 00	7 000 00	12 605 65	5 605 65
Industrial park	2 000 00	2 000 00	262 50	(1 737 50)
Culture and recreation:				
Parks	10 000 00	10 000 00	-	(10 000 00)
Other:				
Insurance	20 000 00	20 000 00	22 825 86	2 825 86
Payroll taxes	9 600 00	9 600 00	9 539 28	(60 72)
Capital outlay	2 000 00	2 000 00	1 409 74	(590 26)
Total expenditures	436 059 00	436 059 00	444 863 28	8 804 28
Excess of revenues over expenditures	246 941 00	246 941 00	384 254 71	137 313 71

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Other financing sources (uses):				
Operating transfers in	-	-	33 399 94	33 399 94
Total other financing sources (uses)	-	-	33 399 94	33 399 94
Excess of revenues and other sources over expenditures and other uses	246 941 00	246 941 00	417 654 65	170 713 65
Fund balance, April 1	-	-	2 675 256 69	2 675 256 69
Fund Balance, March 31	<u>246 941 00</u>	<u>246 941 00</u>	<u>3 092 911 34</u>	<u>2 845 970 34</u>

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

BUDGETARY COMPARISON SCHEDULE – LIBRARY FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	70 000 00	70 000 00	72 073 56	2 073 56
Penal fines	57 000 00	57 000 00	54 090 99	(2 909 01)
Interest	4 000 00	4 000 00	367 49	(3 632 51)
Miscellaneous	15 000 00	15 000 00	22 032 31	7 032 31
Total revenues	146 000 00	146 000 00	148 564 35	2 564 35
Expenditures:				
Culture and recreation:				
Library	146 000 00	146 000 00	119 985 28	(26 014 72)
Total expenditures	146 000 00	146 000 00	119 985 28	(26 014 72)
Excess (deficiency) of revenues over expenditures	-	-	28 579 07	28 579 07
Other financing sources (uses):				
Operating transfers out	-	-	(33 399 94)	(33 399 94)
Total other financing sources (uses)	-	-	(33 399 94)	(33 399 94)
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	-	(4 820 87)	(4 820 87)
Fund balance, April 1	-	-	22 684 09	22 684 09
Fund Balance, March 31	-	-	178 63 22	17 863 22

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2008

Township Board:	
Wages	4 200 00
Supplies	6 449 51
Professional services	1 096 01
Miscellaneous	1 506 50
	<u>13 252 02</u>
Supervisor:	
Salary	<u>27 462 00</u>
Elections:	
Wages	689 04
Supplies	516 28
Miscellaneous	110 00
	<u>1 315 32</u>
Assessor:	
Supplies	<u>789 30</u>
Attorney	<u>32 761 21</u>
Clerk:	
Salary	15 000 00
Supplies	660 76
Professional services	1 456 59
	<u>17 117 35</u>
Treasurer:	
Salary	13 080 00
Supplies	1 631 39
Professional services	3 436 82
Miscellaneous	241 78
	<u>18 389 99</u>
Building and grounds:	
Wages	550 00
Repairs and maintenance	34 292 03
Utilities	2 744 45
Miscellaneous	2 670 47
	<u>40 256 95</u>
Cemetery:	
Wages	21 371 16
Supplies	184 66
Utilities	601 09
Contracted services	13 433 00
Miscellaneous	3 396 81
	<u>38 986 72</u>
Unallocated	<u>6 426 06</u>
Fire protection:	
Wages	43 069 09
Training	1 440 36
Utilities	6 508 75
Supplies	10 531 05
Repairs and maintenance	6 272 14
Miscellaneous	1 498 78
	<u>69 320 17</u>

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2008

Police protection:	
Contracted services	<u>59 157 88</u>
Planning and zoning:	
Meetings	3 475 00
Miscellaneous	<u>3 510 28</u>
	<u>6 985 28</u>
Ambulance:	
Contracted services	<u>66 000 00</u>
Sewer	<u>12 605 65</u>
Industrial park	<u>262 50</u>
Insurance	<u>22 825 86</u>
Payroll taxes	<u>9 539 28</u>
Capital outlay	<u>1 409 74</u>
Total Expenditures	<u><u>444 863 28</u></u>

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

COMBINING BALANCE SHEET – ALL NONMAJOR GOVERNMENTAL FUNDS
March 31, 2008

	<u>Roads and Bridges</u>	<u>Building</u>	<u>Water and Sewer</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	61 981 71	4 309 11	7 245 48	73 536 30
Taxes receivable	2 683 97	-	-	2 683 97
Internal balances	<u>(21 854 38)</u>	<u>(149 97)</u>	<u>-</u>	<u>(22 004 35)</u>
Total Assets	<u>42 811 30</u>	<u>4 159 14</u>	<u>7 245 48</u>	<u>54 215 92</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Unreserved				
Undesignated	<u>42 811 30</u>	<u>4 159 14</u>	<u>7 245 48</u>	<u>54 215 92</u>
Total fund balances	<u>42 811 30</u>	<u>4 159 14</u>	<u>7 245 48</u>	<u>54 215 92</u>
Total Liabilities and Fund Balances	<u>42 811 30</u>	<u>4 159 14</u>	<u>7 245 48</u>	<u>54 215 92</u>

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL NONMAJOR GOVERNMENTAL FUNDS
Year ended March 31, 2008

	<u>Roads and Bridges</u>	<u>Building</u>	<u>Water and Sewer</u>	<u>Total</u>
Revenues:				
Property taxes	29 533 76	-	-	29 533 76
Licenses and permits	-	15 664 70	-	15 664 70
Charges for services	-	-	1 200 00	1 200 00
Interest	<u>317 98</u>	<u>21 49</u>	<u>29 19</u>	<u>368 66</u>
Total revenues	<u>29 851 74</u>	<u>15 686 19</u>	<u>1 229 19</u>	<u>46 767 12</u>
Expenditures:				
Public safety:				
Protective inspection	-	14 943 80	-	14 943 80
Public works:				
Highways and streets	<u>27 548 02</u>	<u>-</u>	<u>-</u>	<u>27 548 02</u>
Total expenditures	<u>27 548 02</u>	<u>14 943 80</u>	<u>-</u>	<u>42 491 82</u>
Excess (deficiency) of revenues over expenditures	2 303 72	742 39	1 229 19	4 275 30
Fund balances, April 1	<u>40 507 58</u>	<u>3 416 75</u>	<u>6 016 29</u>	<u>49 940 62</u>
Fund Balances, March 31	<u>42 811 30</u>	<u>4 159 14</u>	<u>7 245 48</u>	<u>54 215 92</u>

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES – ALL AGENCY FUNDS
Year ended March 31, 2008

	<u>Balance</u> <u>4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/08</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>11 192 45</u>	<u>1 867 771 14</u>	<u>1 878 724 76</u>	<u>238 83</u>
<u>Liabilities</u>				
Due to other funds	11 192 45	171 076 94	182 030 56	238 83
Due to others	<u>-</u>	<u>1 696 694 20</u>	<u>1 696 694 20</u>	<u>-</u>
Total Liabilities	<u>11 192 45</u>	<u>1 867 771 14</u>	<u>1 878 724 76</u>	<u>238 83</u>
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>-</u>	<u>130 00</u>	<u>130 00</u>	<u>-</u>
<u>Liabilities</u>				
Due to other funds	-	12 50	12 50	-
Due to others	<u>-</u>	<u>117 50</u>	<u>117 50</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>130 00</u>	<u>130 00</u>	<u>-</u>
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank	<u>11 192 45</u>	<u>1 867 901 14</u>	<u>1 878 854 76</u>	<u>238 83</u>
<u>Liabilities</u>				
Due to other funds	11 192 45	171 089 44	182 043 06	238 83
Due to others	<u>-</u>	<u>1 696 811 70</u>	<u>1 696 811 70</u>	<u>-</u>
Total Liabilities	<u>11 192 45</u>	<u>1 867 901 14</u>	<u>1 878 854 76</u>	<u>238 83</u>

TOWNSHIP OF THREE OAKS
Berrien County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2008

Cash in bank – beginning of year	<u>11 192 45</u>
Cash receipts:	
Property tax	1 849 216 30
Property tax administration fees	18 359 87
Interest	<u>194 97</u>
Total cash receipts	<u>1 867 771 14</u>
Total beginning balance and cash receipts	<u>1 878 963 59</u>
Cash disbursements:	
Township General Fund	88 826 43
Township Library Fund	66 137 79
Township Roads and Bridges Fund	27 066 34
Berrien County	892 394 22
Berrien County ISD	178 781 51
Village of Three Oaks	79 582 96
River Valley Schools	409 764 26
Lake Michigan College	129 568 64
Refunds	<u>6 602 61</u>
Total cash disbursements	<u>1 878 724 76</u>
Cash in Bank – End of Year	<u><u>238 83</u></u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 9, 2008

To the Township Board
Township of Three Oaks
Berrien County, Michigan

We have audited the financial statements of the Township of Three Oaks for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Three Oaks in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Three Oaks
Berrien County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants